



State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

DIVISION OF PROFESSIONAL- TECHNICAL EDUCATION

FY 2004, 2005, and 2006

Report IC50306/SA50306

Serving Idaho's Citizen Legislature

LEGISLATIVE SERVICES' MISSION STATEMENT

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government, and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

LEGISLATIVE AUDITS' CHARGE

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code, Section 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriations Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

<u>DESCRIPTION</u>	<u>LEVEL OF SCRUTINY</u>
<i>COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)</i>	Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting; and our tests of its compliance with certain laws, regulations, contracts, and grant agreements is issued under separate cover in the statewide <i>Single Audit</i> .
<i>STATEWIDE SINGLE AUDIT REPORT</i>	Our opinion on the schedule of expenditures of federal awards in relation to the State's basic financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> ; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)</i> ; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's basic financial statements and the related opinion thereon.
<i>INDIVIDUAL ENTITY AUDIT REPORT</i>	Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance, and on internal control over financial reporting, based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i> ; and if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with <i>OMB Circular A-133</i> .
<i>MANAGEMENT REPORT ON FINANCIAL PROCEDURES</i>	A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.
<i>MANAGEMENT REPORT ON INTERNAL CONTROL</i>	A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

FOREWORD

PURPOSE OF REPORT

Financial procedures were applied at the Division of Professional-Technical Education. These procedures, combined with audit work performed at other agencies, including the State Controller's Office, allow us to give our opinion on the statewide basic financial statements prepared by the State Controller's Office. The work was performed in accordance with government auditing standards issued by the Comptroller General of the United States. In addition, appropriate procedures and required tests were made for major federal programs, if any, in order to issue the *Single Audit Report*, as required by *OMB Circular A-133*. This report summarizes the procedures and their results.

SCOPE OF WORK

The financial audit procedures applied are based on the materiality of the various financial segments, assessment of risk of material misstatement, and legislative or public interest. The limited procedures applied at the Division for fiscal years 2004, 2005, and 2006 include, if applicable:

- Audit applications, including substantive tests, to the financial segments material to the statewide audit.
- Internal control review of significant financial segments.
- Compliance work of both federal and State issues.
- Follow-up of prior findings and recommendations.
- Findings and recommendations to strengthen and improve operations or reduce the risk of material misstatement.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Jim Combo, CPA, Staff Auditor
Sally Fong, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

GRAPHIC LOGISTICS

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

DIVISION OF PROFESSIONAL-TECHNICAL EDUCATION

PURPOSE AND SCOPE. We have completed certain financial audit procedures on the Division of Professional-Technical Education's financial activities that occurred during the fiscal years ended June 30, 2004, 2005, and 2006. These procedures, together with procedures performed at other State agencies, allow us to express an opinion on the statewide basic financial statements prepared by the State Controller's Office. Since a major federal program was present, appropriate procedures and required tests were performed in order to issue the federally required *Single Audit Report*.

CONCLUSION. We conclude that the financial operations of the Division meet acceptable standards, and that it complies with laws, regulations, rules, grant agreements, and contracts for which we tested compliance.

FINDINGS AND RECOMMENDATIONS. There are no findings and recommendations in this report or the prior report.

AGENCY RESPONSE. The Division has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY. The procedures completed and described above help us express our opinion on the fairness of presentation of the *Statewide Comprehensive Annual Financial Report (CAFR)*. Although no opinion is given on the financial data presented in this report, one is given on all State funds in the *CAFR*, including the financial data presented here.

During fiscal year 2006, the Division was funded primarily by a \$47.2 million General Fund appropriation. Other sources of income were \$7.8 million in federal grants and \$526,000 in miscellaneous receipts. These funds were used to pay for personnel costs of \$2.8 million, operating costs of \$541,000, and trustee and benefit payments of \$51.8 million.

Fiscal Year 2004

	General Fund 0001	Budget Stabilization Fund 0150	Displaced Homemaker Fund 0218	Hazardous Waste Materials Transport Fund 0274	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$44,144,862	\$0	\$202,447	\$0	(\$4,350,229)	\$571,460	\$40,568,540
Beginning Encumbrances	3,418,626	0	0	32,362	4,355,549	0	7,806,537
Receipts	0	0	153,410	67,800	7,985,614	448,799	8,655,623
Total Funds Available	\$47,563,488	\$0	\$355,857	\$100,162	\$7,990,934	\$1,020,259	\$57,030,700
Disbursements	42,782,929	0	170,000	100,162	7,985,740	914,524	51,953,355
Ending Encumbrances	4,780,559	0	0	0	4,193,464	0	8,974,023
Ending Free Fund Balance/Reversion	\$0	\$0	\$185,857	\$0	(\$4,188,270)	\$105,735	(\$3,896,678)

Fiscal Year 2005

	General Fund 0001	Budget Stabilization Fund 0150	Displaced Homemaker Fund 0218	Hazardous Waste Materials Transport Fund 0274	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$45,979,316	\$0	\$185,857	\$0	(\$4,188,270)	\$105,735	\$42,082,638
Beginning Encumbrances	4,780,559	0	0	0	4,193,464	0	8,974,023
Receipts	0	0	149,975	67,800	7,659,965	509,342	8,387,083
Total Funds Available	\$50,759,875	\$0	\$335,832	\$67,800	\$7,665,159	\$615,077	\$59,443,743
Disbursements	44,851,138	0	170,000	54,354	7,660,087	598,899	53,334,478
Ending Encumbrances	5,908,737	0	0	13,446	4,270,243	0	10,192,426
Ending Free Fund Balance/Reversion	\$0	\$0	\$165,832	\$0	(\$4,265,171)	\$16,178	(\$4,083,161)

Fiscal Year 2006

	General Fund 0001	Budget Stabilization Fund 0150	Displaced Homemaker Fund 0218	Hazardous Waste Materials Transport Fund 0274	Federal Fund 0348	Miscellaneous Revenue Fund 0349	Total
Beginning Fund Balance/Appropriations	\$47,189,493	\$0	\$165,832	\$0	(\$4,265,171)	\$16,178	\$43,106,332
Beginning Encumbrances	5,908,737	0	0	13,446	4,270,243	0	10,192,425
Transfers-In	0	731,336	0	0	0	0	731,336
Receipts	0	0	158,725	67,800	7,846,295	299,945	8,372,765
Total Funds Available	\$53,098,230	\$731,336	\$324,557	\$81,246	\$7,851,367	\$316,123	\$62,402,858
Disbursements	46,045,073	731,336	170,000	54,756	7,851,368	316,123	55,168,656
Ending Encumbrances	7,053,157	0	0	26,490	3,999,744	0	11,079,391
Ending Free Fund Balance/Reversion	\$0	\$0	\$154,557	\$0	(\$3,999,745)	\$0	(\$3,845,188)

This report is intended solely for the information and use of the Division of Professional-Technical Education and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the administrator, Mike Rush, and his staff.

QUESTIONS CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division

Eugene Sparks, CPA, CGFM, Managing Auditor

AGENCY RESPONSE



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January 26, 2007

M E M O R A N D U M

TO: Don H. Berg, CGFM, Manager
Legislative Audits Division

FROM: Mike Rush, Administrator

A handwritten signature in black ink, appearing to read "Mike Rush".

SUBJECT: FY2004, 2005 and 2006 Management Report on Financial Procedures

On behalf of the State Board for Professional-Technical Education, I am pleased to accept the Management Report on Financial Procedures – Division of Professional-Technical Education – Report IC50306 /SA50306 for the Fiscal Years ending June 30, 2004, 2005 and 2006 for the Division of Professional-Technical Education.

The courtesy, cooperation and professionalism displayed by the staff of the Legislative Services Office in the preparation of this report are appreciated.

MR:KD:jc

APPENDIX

HISTORY

The Smith-Hughes Act of 1917 was enacted by Congress to provide for the promotion of professional-technical education; cooperation with states in promoting education in agriculture, trades, and industries; cooperation with states in preparing teachers of professional-technical subjects; and appropriating money and regulating its expenditures. In 1919, the Idaho Legislature enacted Idaho Code, Title 33, Chapter 22, *Vocational Education – Federal Aid* to accept the benefits and provisions of the Smith-Hughes Act of 1917, establish the State Board for Vocational Education, and designate a State administrator to carry out the provisions of the federal act and State law.

In 1999, the Idaho Legislature passed legislation, effective July 1, 1999, changing the name of the State Board for Vocational Education to the State Board for Professional-Technical Education, and changing the name of the Division of Vocational Education to the Division of Professional-Technical Education.

PURPOSE

The Division of Professional-Technical Education provides advocacy, leadership and technical assistance for programs in professional-technical education throughout the State. The Division's general purpose is to carry out the governing policies of the State Board for Professional-Technical Education and the applicable provisions of State and federal legislation.

STATUTORY AUTHORITY

Statutory authority for the Division is delineated in Idaho Code, Chapter 22, Sections 33-2201 through 33-2212. Idaho Code, Section 39-5009 established the Displaced Homemaker Fund for appropriation to the State Board for Professional-Technical Education. The Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1998 (P.L. 105-332) amended federal professional-technical education legislation and established regulations regarding the administration of these funds.

FUNDING

The Division receives funds from both the State General Fund and the federal government. Other funding sources include dedicated funds for displaced homemakers and hazardous materials. The following briefly describes each fund:

0001 General Fund – Funds are received from the State's General Fund and used to fund programs and services administered by the Division.

ORGANIZATION

0218 Displaced Homemaker Fund – This fund receives \$20 from the filing fee for each divorce action. The funds are used to operate displaced homemaker centers at the six post-secondary technical colleges to provide classroom occupational training and related supportive services for displaced homemakers.

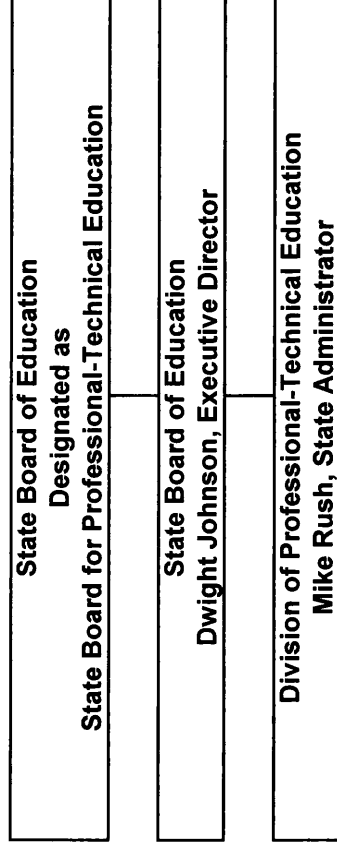
0274 Hazardous Materials/Waste Enforcement Fund – This fund receives a portion of the fees for the issuance of hazardous waste/material transportation permits. Money in the fund is used to train enforcement personnel on the laws and rules related to the transportation of hazardous material and waste.

0348 Federal Grant Fund – This fund receives funding from the Carl D. Perkins Vocational and Applied Technology Education Act Amendments of 1998 and miscellaneous federal grants. These funds are used to improve existing professional-technical education programs.

0349 Miscellaneous Revenue Fund – This fund receives non-federal grants from the Albertsons Foundation and State Occupational Information Coordinating Council user fees.

The State Board of Education is statutorily designated under Idaho Code, Title 33, Chapter 2205 as the State Board for Professional-Technical Education. Pursuant to Idaho Code, Title 33, Chapter 2205, the Board of Education appoints a Division administrator who designates assistants to carry out State and federal laws, Board policy, provide overall leadership and supervision, and dispense funds for professional-technical education. The Division's organization chart is included as the final page of this report.

IDAHO DIVISION OF PROFESSIONAL-TECHNICAL EDUCATION ORGANIZATIONAL CHART



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